



AGENCY FOR INTERNATIONAL DEVELOPMENT  
UNITED STATES OF AMERICA A. I. D. MISSION  
TO EL SALVADOR  
C/O AMERICAN EMBASSY.  
SAN SALVADOR, EL SALVADOR, C. A.

PD-ABN-54/  
92306

**ACTION MEMORANDUM FOR THE MISSION DIRECTOR**

**FROM:** Gordon Straub, PRO

**SUBJECT:** Closeout of the I.E.S.C Technical Assistance to  
Business Project No. 519-0395

In accordance with Handbook 3, Chapter 14, and USAID/San Salvador policy, attached is the Project Assistance Completion Report (PACR) for the I.E.S.C. Technical Assistance to Business. The purpose of this project was to assist Salvadoran private sector companies to become more productive, quality conscious, and cost efficient in order to help in the economic reactivation of El Salvador.

The PACR summarizes the accomplishments of the project, and provides highlights of the financial performance.

Recommendation: That you approve the attached Project Assistance Completion Report.

Approved: \_\_\_\_\_

Disapproved: \_\_\_\_\_

Date: \_\_\_\_\_

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*1/16/96*

Drafted by: LLuna, PRO  
Clearance: RBlanco, PRO  
              DGardella, PRO  
              mCADams, CONT  
              LPizarro, OCG  
              mPKranstover, SDO  
              Kellis, DDir

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RB  
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date 12-11/95  
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date 12/20  
date 1/12/96  
date 1/8/96  
date 15 Jan 96

Office of the Controller

REVIEWED

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12/30/95  
DATE

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12/20

## PROJECT ASSISTANCE COMPLETION REPORTS

### I. SUMMARY OF THE PROJECT

#### A. Goal and Purpose of the Project

The goal of the Project was to increase equitable economic growth.

The purpose was to assist Salvadoran private sector companies to become more productive, quality conscious, and cost efficient. IESC provided technical assistance to companies in order to achieve the following:

- Productive employment;
- Expansion of business;
- Increase in productivity and sales;
- Improved competitiveness;
- Technology transfer, and
- Avoidance of business closures.

#### B. Project components

1. Provides technical assistance to 30 companies identified by IESC and Salvadoran Industrial Association (ASI) under its Industrial Reconversion Program.
2. Provides technical assistance to 10 companies identified by IESC under the industrial sectors defined by ASI but not necessarily participants in the ASI Reconversion Program.

An amendment to the Cooperative Agreement was approved on June 1993, to free IESC from exclusive commitment to the Industrial Reconversion Program carried by ASI, and permit IESC to proceed with contracting other clients involved in the industrial sector.

#### C. Present Status of the Project.

The IESC Project was authorized on July 7, 1992. The original PACD was June 30, 1994, and it was extended without cost to June 30, 1995, to allow IESC to complete the Project's objectives, because by then IESC had only achieved 43% of the target. The Project was closed-out early (on March 31, 1995) because IESC was able to assist only 22 companies, of the 40 planned by the end of the Project.

II. **FINANCIAL STATUS** (as of November 06/95, see Annex 1)

A. Obligations versus Expenditures by line Item

Element No.	Element description	Obligation	Commitment	Expenditure	Pipeline
01	Administra. cost	\$260,000	\$260,000	\$260,000	0
02	Technical assistance cost	\$99,866	\$99,866	\$85,553	\$14,313
	TOTAL	\$359,866	\$359,866	\$345,553	\$14,313

NOTE: The original obligation of funds was \$500,000 (\$260,000 for administrative cost and \$240,000 for technical assistance). Due to the early close-out of the project, on August 21, 1995 funds in the amount of \$140,134.02 were deobligated.

B. Summary of Counterpart Contributions made by the B/G, donors and participants. Planned versus actual inputs, IESC quarterly report on counterpart contribution (as of 03/31/95).

Description	Planned	Cumulative to date
Cash Client Contribution	\$374,000	\$104,967.66
In-Kind IESC VE Project days IESC recruiting	\$188,000	\$281,028.68 \$57,669.10
TOTAL	\$562,800	\$443,665.44

### III. PROJECT ACCOMPLISHMENTS

<u>A. Planned EOPS</u>	<u>Progress to Date</u>
- Productive employment	- 233 new jobs
- Business expansion	- In twelve companies
- Increase productivity and sales	- From 10% - 20% increase in productivity in 13 companies
- Technology transfer	- Partially achieved in 22 companies
- Avoidance of business closures	- None

<u>B. Major Outputs</u>	<u>LOP</u>	<u>CUM</u>	<u>% of LOP</u>
Carry out sub-projects partially financed by the Grant	40	22	55%

During the life of the Project IESC provided technical assistance to a total of 22 companies. These companies received assistance in the areas of production, information systems, and administrative/financial controls, to allow them to increase productivity, to reduce costs, to improve product quality, to increase competitiveness and to diversify production. A no-cost extension was authorized beyond the original PACD of June 30 1994, in order to complete the targets. However, by March 1995, IESC had only achieved 55% of the Project objectives, but had expended approximately 85% of LOP funding.

One of the causes of the Project's poor performance was that IESC and ASI were unable to work together. ASI took too long to carry out companies' diagnoses, which were supposed to be followed by IESC' technical assistance. During the first year of IESC Project implementation, ASI did not request assistance from them. In many cases in which the client firm needed to restructure or resolve problems related to its administrative and accounting systems, ASI provided the technical assistance itself without any involvement from IESC

The inability of IESC and ASI to work together was compounded by the high cost of IESC's services. IESC's cost structure was not competitive with similar, but lower-cost, services being provided by other international organizations and was higher than what many companies were willing to pay. Many ASI clients requested technical assistance to solve only their major problems and did not carry out a complete reconversion program (including improvements in production, marketing, administration, and quality control) because they

were unable or unwilling to pay the high cost of IESC's services. Some ASI clients contracted other international organizations at a lower cost, never requesting IESC's assistance. Even when freed from the commitment to work exclusively with ASI clients, IESC was unable to assist as many companies as planned due to its uncompetitive cost structure.

Based on this situation, the PRO Office recommended an early close-out of the Project, the deobligation of unexpended funds, and reobligation of those funds to a Mission activity that better contributed to the Broad-based Economic Growth Strategic Objective (SO2).

#### **IV. EVALUATIONS AND AUDITS**

##### **A. Evaluations**

A project evaluation was deemed not necessary during a review of the project's performance held in January 1995. The project had expended approximately 85% of the LOP funding, but only achieved 55% of its objectives.

The reasons for this poor performance were well understood, and there were no plans for a follow-on project. Therefore, the review committee decided that an evaluation would have little utility to the Mission.

##### **B. Audits.**

Based on information provided by the Controllers Office, audits are conducted at the IESC main offices in Connecticut. The last Core Grant audit covered CY'92 only, and A-133 audit for CY'93 is on-going.

#### **V. SUMMARY OF LESSONS LEARNED**

- The design of the Project did not consider competition from other international organizations providing the same services as IESC, but at lower cost. The design also did not take into account the client companies' ability and willingness to pay for such services. These oversights in the design became constraints during the implementation of the project.
- Project accomplishment showed that given the type and cost of technical assistance, the Project suited more medium and large firms. 65% of the 22 enterprises that received assistance, were large firms. Additionally, the impact on productive employment generation was low.
- The lack of a promotional program was reflected in the low accomplishment of the Project. In spite of an amendment to the Project to free IESC from the restriction of carrying

out 30 projects with ASI only, the communication with other local industries organizations to promote the technical assistance was insufficient.

## **VI. RECOMMENDATIONS**

- Before designing a similar Project, a diagnosis of the needs of the beneficiaries, and the availability of technical assistance services from local and other international organizations should be conducted.
- Greater attention must be given to ensuring projects are cost-effective.

REPORT ID: MXRMP19  
 OPTION NO: 1  
 REPORT DATE: 11/06/95

USAID / EL SALVADOR  
 PROJECT FINANCIAL  
 AS OF: 0/31/95

## STATUS REPORT

REPORT PAGE NO: 1  
 MISSION PAGE NO: 1

## PROJECT INFORMATION SUMMARY

CURRENCY CODE: 001	CURRENCY NAME: U.S. DOLLARS	GRANT	LOAN
PROJECT NO.: 5190395.00	PROJECT TITLE: TECHNICAL ASST. TO BUSINESS	LOP FUNDING: 500.000	
OFFICE CODE: 800	PROJECT OFFICER: ROXANA BLANCO, PROJECTED	LOP AUTHORIZED: 500.000	
LOAN NO.:	IMPL AGENCY: IESC	AMT. ALLOWED: 359.866	
ORIG AGR DATE: 07/07/92	PACD: ORIG 05/30/94	AMT. OBLIGATED: 359.866	
H. C. CONTRIB: 0	NO OF REVISIONS: 04	ACCRUED EXP.: 345.553	
	TERM DISB DATE: 12/31/95	PIPELINE/UNLIQ: 14.313	

## PROJECT SUMMARY BY BUDGET PLAN CODE

BPC	BUDGET ALLOWANCE	OBLIGATED	EARMARKED/RESERVED	COMMITTED/RESERVED	NET ACCRUED EXPENDITURES	PIPELINE UNLIQUIDATED	ADVANCES
LDS29225519KG13	359,866	359,866	359,866	359,866	345,553	14,313	0
GRANT TOTAL	359,866	359,866	359,866	359,866	345,553	14,313	0
PROJECT TOTAL	359,866	359,866	359,866	359,866	345,553	14,313	0

REPORT ID: MXRMP19  
OPTION NO: 4  
REPORT DATE: 11/06/95

USAID / EL SALVADOR  
PROJECT FINANCIAL STATUS REPORT  
AS OF: 10/31/95

REPORT PAGE NO: 152  
MISSION PAGE NO: 152

CURR. CODE: 001 CURRENCY NAME: U.S. DOLLARS  
PROJECT NO: 5190395-007 PROJECT TITLE: TECHNICAL ASST. TO BUSINESS

PROJECT OFFICER: ROXANA BLANCO, PRO/PED

PROJECT ELEMENT NO.	PROJECT ELEMENT DESCRIPTION	OBLIGATION (O)	GRANT OR LOAN	EAR. RES. (ER)	DISBURSEMENTS	ACCRUALS	PIPELINE / UNLIQUIDATED	ADVANCES
EARMARK DOCUMENT NO.	EARMARK DESCRIPTION	EARMARK (E)						
COMMIT. DOCUMENT NO.	COMMIT. DESCRIPTION	COMMITMENT (C)						
COMMIT. END DATE	AGENT/CONTRACTOR	COM. RES. (CR)						

ELEMENT NO: 1	ADMINISTRATIVE COSTS	260,000 (O)			260,000	0	0	0
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GRANT:

LIQUIDATED EARMARKS		260,000 (E)			260,000	0	0	0
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ELEMENT TOTAL: GRANT		260,000 (O)			260,000	0	0	0
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ELEMENT NO: 2	TECHNICAL ASSISTANCE COSTS	99,866 (O)			85,553	0	14,313	0
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GRANT:

CA-5190395A00208000	TECHNICAL ASST. COSTS	99,866 (E)						
CA-5190395A00208000	TECHNICAL ASST. COSTS	99,866 (C)			85,553	0	14,313	0
06301995	INTL EXEC SERV CORP (IESC)							

ELEMENT TOTAL: GRANT		99,866 (O)			85,553	0	14,313	0
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PROJECT TOTALS:

GRANT TOTALS		359,866 (O)			345,553	0	14,313	0
LOAN TOTALS		0 (O)			0	0	0	0
PROJECT TOTAL		359,866 (O)			345,553	0	14,313	0